

**The Maples,  
Benzie County Medical Care Facility**

---

**Financial Report  
September 30, 2008**

# **The Maples, Benzie County Medical Care Facility**

---

## **Contents**

<b>Report Letter</b>	<b>I</b>
<b>Financial Statements</b>	
Balance Sheet	2
Statement of Revenue, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10



Plante & Moran, PLLC

Suite 300  
750 Trade Centre Way  
Portage, MI 49002  
Tel: 269.567.4500  
Fax: 269.567.4501  
plantemoran.com

## Independent Auditor's Report

To the Department of Human Services Board  
The Maples,  
Benzie County Medical Care Facility

We have audited the accompanying balance sheet of The Maples, Benzie County Medical Care Facility (a component unit of the County of Benzie) (the "Facility") as of September 30, 2008 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Maples, Benzie County Medical Care Facility at September 30, 2008 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

January 15, 2009

# The Maples, Benzie County Medical Care Facility

## Balance Sheet September 30, 2008

### Assets

#### Current Assets

Cash and cash equivalents	\$ 1,693,867
Resident accounts receivable (Note 3)	694,540
Other receivables	104,270
Estimated third-party payor settlements	50,575
Assets limited as to use	675,032
Prepaid expenses	55,402

Total current assets 3,273,686

**Property, Plant, and Equipment - Net (Note 4)** 2,230,807

Total assets **\$ 5,504,493**

### Liabilities and Net Assets

#### Current Liabilities

Accounts payable	\$ 126,342
Accrued compensation	282,116

Total current liabilities 408,458

#### Net Assets

Invested in capital assets	2,230,807
Unrestricted	2,865,228

Total net assets 5,096,035

Total liabilities and net assets **\$ 5,504,493**

# **The Maples, Benzie County Medical Care Facility**

## **Statement of Revenue, Expenses, and Changes in Net Assets Year Ended September 30, 2008**

<b>Operating Revenue</b>	
Net service revenue	\$ 6,029,434
Other operating revenue	<u>170,351</u>
Total operating revenue	6,199,785
<b>Operating Expenses</b>	
Salaries	3,172,580
Other expenses	<u>3,252,875</u>
Total operating expenses	<u>6,425,455</u>
<b>Operating Loss</b>	(225,670)
<b>Other Income</b>	
Interest income	62,185
Tax revenue	<u>1,007,547</u>
Total other income	<u>1,069,732</u>
<b>Increase in Net Assets</b>	844,062
<b>Net Assets - Beginning of year</b>	<u>4,251,973</u>
<b>Net Assets - End of year</b>	<u><u>\$ 5,096,035</u></u>

# The Maples, Benzie County Medical Care Facility

## Statement of Cash Flows Year Ended September 30, 2008

### Cash Flows from Operating Activities

Cash received from residents and third-party payors	\$ 5,279,022
Cash paid to employees and suppliers	(6,217,615)
Other operating receipts	<u>601,256</u>
Net cash used in operating activities	(337,337)

**Cash Flows from Noncapital Financing Activities** - Property taxes 1,007,547

**Cash Flows from Investing Activities** - Interest received 62,185

**Cash Flows from Capital and Related Financing Activities** - Purchase of property and equipment (120,318)

**Net Increase in Cash and Cash Equivalents** 612,077

**Cash and Cash Equivalents** - Beginning of year 1,081,790

**Cash and Cash Equivalents** - End of year \$ 1,693,867

### Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (225,670)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	194,373
Provision for bad debts	39,635
Changes in assets and liabilities:	
Resident accounts receivable	5,143
Third-party settlement receivables	(50,575)
Other current assets	(329,478)
Increase in accounts payable	20,089
Increase in other accrued expenses	<u>9,146</u>
Net cash used in operating activities	<u><u>\$ (337,337)</u></u>

# The Maples, Benzie County Medical Care Facility

---

## Notes to Financial Statements September 30, 2008

### Note I - Nature of Business and Significant Accounting Policies

The Maples, Benzie County Medical Care Facility (the "Facility") is a component unit of Benzie County (the "County"). It is governed by the Benzie County Department of Human Services. This board consists of three members, two of whom are appointed by the County board of commissioners and one appointed by the Michigan governor. Further, the County Department of Human Services Board approves the Facility's budget and submits a copy to the County board of commissioners.

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to local governmental units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

**Enterprise Fund Accounting** - The Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has not elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**Basis for Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Facility's financial activities.

**Cash and Cash Equivalents** - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

**Assets Limited as to Use** - Assets limited as to use primarily include assets set aside by the Benzie County Department of Human Services Board for future capital improvement, over which the board retains control, and may, at its discretion, subsequently use for other purposes, as well as assets temporarily restricted by donors for future capital improvements, resident and client services, and scholarships.

**Property and Equipment** - Property and equipment amounts are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

# The Maples, Benzie County Medical Care Facility

---

## Notes to Financial Statements September 30, 2008

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Compensated Absences** - Compensated absences are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

**Service Revenue** - The Facility's principal activity is operating a long-term healthcare facility for the elderly. Revenue is derived from participation in the Medicaid and Medicare programs, as well as from private-pay residents. Revenue is recorded at standard billing rates and differences between billing rates and amounts paid under these programs are recorded as contractual adjustments. Amounts earned under the Medicaid and Medicare programs make up a significant portion of revenue earned during each year, as follows:

Percent of revenue:

Medicaid	80 %
Medicare	14 %

The payment methodology and amounts earned related to these programs are based on cost and clinical assessments that are subject to review and final approval by Medicaid and Medicare. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Medicaid reimburses the Facility for resident routine service costs, on a per diem basis, prospectively determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.



# **The Maples, Benzie County Medical Care Facility**

---

## **Notes to Financial Statements September 30, 2008**

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Maintenance of Effort** - Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. The Facility pays the monthly M.O.E. expense. M.O.E. expense amounting to \$146,607 for the year ended September 30, 2008 was paid by the Facility and is included in operating expenses.

**Quality Assurance Program** - The Facility's Medicaid revenue has been partially funded by a program called quality assurance assessment program (QAAP). The current QAAP program was approved by the federal government during 2006 and was made effective retroactive to October 1, 2005. During the year ended September 30, 2008, the Facility received Medicaid revenue related to QAAP totaling \$629,327.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 - Deposits**

These funds were under the control of the County treasurer, who deposited these funds with a bank.

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrument of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Facility's deposits and investments are subject to several types of risks including custodial credit risk of bank deposits and investments, interest rate risk, credit risk, and concentration of credit risk. It is impractical to determine the amount of risk associated with the Facility's funds as these funds are only a portion of the total County deposits.

# The Maples, Benzie County Medical Care Facility

## Notes to Financial Statements September 30, 2008

### Note 3 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

Resident accounts receivable	\$ 734,540
Less allowance for uncollectible accounts	<u>40,000</u>
Net resident accounts receivable	<u><u>\$ 694,540</u></u>

The Facility provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	Percent
Medicare	14 %
Medicaid	48 %
Other payors	<u>38 %</u>
Total	<u><u>100 %</u></u>

### Note 4 - Property and Equipment

The cost of property and equipment and related depreciable lives for September 30, 2008 are summarized below:

	2007	Additions	Transfers	Retirements	2008	Depreciable Life - Years
Land	\$ 12,424	\$ -	\$ -	\$ -	\$ 12,424	-
Land improvements	93,176	7,477	-	-	100,653	5-25
Buildings and improvements	3,652,516	41,749	-	-	3,694,265	5-40
Fixed equipment	<u>1,357,908</u>	<u>71,092</u>	<u>-</u>	<u>(12,656)</u>	<u>1,416,344</u>	3-20
Total	5,116,024	120,318	-	(12,656)	5,223,686	
Less accumulated depreciation:						
Land and land improvements	80,431	2,153	-	-	82,584	
Buildings and improvements	1,646,237	123,112	-	-	1,769,349	
Fixed equipment	<u>1,084,494</u>	<u>69,108</u>	<u>-</u>	<u>(12,656)</u>	<u>1,140,946</u>	
Total	<u>2,811,162</u>	<u>194,373</u>	<u>-</u>	<u>(12,656)</u>	<u>2,992,879</u>	
Net carrying amount	<u><u>\$ 2,304,862</u></u>	<u><u>\$ (74,055)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,230,807</u></u>	

Depreciation expense on property and equipment totaled \$194,373.

# The Maples, Benzie County Medical Care Facility

## Notes to Financial Statements September 30, 2008

### Note 5 - Retirement Benefits

**Plan Description** - The Facility participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Facility through the County of Benzie. The Facility provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplemental information for MMERS. That report may be obtained by writing to MMERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy** - Benefit provisions of MMERS, as well as employer and employee obligations to contribute, are outlined in Act No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of prior-service cost over a 40-year period, net of amortization of investment gains over a 10-year period. The amortization periods were updated in 2006.

The minimum required employer contributions, based on a percentage of payroll, is 5.08 percent to 15.09 percent using the 2007 valuation. The required employee contribution is 0.00 percent to 2.00 percent using the 2007 valuation.

Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

**Annual Pension Cost** - The Facility's contributions to the plan amounted to \$133,794 in 2008. Employees' contributions to the plan amounted to \$60,110 in 2008. The actuarially determined contribution requirements have been met based on actuarial valuations performed at September 30, 2008.

To show the progress of the Facility's status for each plan regarding certain key indicators, three-year trend information is presented below:

<b>Facility Plan</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Actuarial value of assets	\$ 5,265,205	\$ 4,867,402	\$ 4,425,632
Actuarial accrued liability (AAL) (entry age)	\$ 5,532,546	\$ 4,727,854	\$ 4,299,070
Unfunded actuarial accrued liability (UAAL)	\$ 267,341	\$ (139,548)	\$ (126,562)
Funded ratio	95.00 %	103.00 %	103.00 %
Covered payroll	\$ 2,979,994	\$ 3,086,882	\$ 2,373,226
UAAL as a percent of covered payroll	0.09 %	(0.05)%	(0.05)%

# **The Maples, Benzie County Medical Care Facility**

---

## **Notes to Financial Statements September 30, 2008**

### **Note 6 - Risk Management**

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for property, malpractice, workers' compensation, directors' and officers' liability, and employee health claims. The Facility is self-insured for unemployment claims.

January 15, 2009

To the Members of the Board  
The Maples,  
Benzie County Medical Care Facility

We have audited the financial statements of The Maples, Benzie County Medical Care Facility (the "Facility") for the year ended September 30, 2008 and have issued our report thereon dated January 22, 2009. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

SECTION I - Communications required under SAS 114

SECTION II - Communications required under SAS 112

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to those charged with governance of The Maples, Benzie County Medical Care Facility.

Section II includes any deficiencies we observed in the Facility's accounting principles or internal controls that we believe are significant. Current auditing standards require us to formally communicate, annually, certain matters we note about the Facility's accounting policies and internal controls.

We would like to take this opportunity to thank the Facility's staff for the cooperation and courtesy extended to us during our audit.

This report is intended solely for the use of those charged with governance and management of The Maples, Benzie County Medical Care Facility and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, reading "J. Eric Conway".

J. Eric Conway, CPA, FHFMA  
Partner

## **SECTION I - Communications Required Under SAS 114**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 30, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of The Maples, Benzie County Medical Facility. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in November.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Maples, Benzie County Medical Care Facility are described in Note 1 of the financial statements.

We noted no transactions entered into by the Facility during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the allowance for doubtful accounts.

Management's estimate of the allowance for doubtful accounts is based on estimated uncollectible accounts receivable outstanding at September 30, 2008. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining and proposing an audit entry of approximately \$40,000 to increase the allowance.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. As noted above, we proposed an audit adjustment to adjust the allowance for doubtful accounts; in addition, we proposed an adjustment of approximately \$4,000 to adjust the quality assurance assessment receivable and revenue. We also proposed an adjustment to reclassify approximately \$50,000 from resident receivables to a settlement account related to future cost report settlements.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated January 15, 2009.

To the Members of the Board  
The Maples,  
Benzie County Medical Care Facility

January 15, 2009  
Section II

***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Facility's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Facility's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.



## **SECTION II - Communications Required Under SAS 112**

In planning and performing our audit of the financial statements of The Maples, Benzie County Medical Care Facility as of September 30, 2008 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Facility's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the following deficiencies to be significant deficiencies in internal control:

### **Bank Reconciliations and Journal Entries**

During our audit, we noted the bank reconciliation and journal entry processes do not involve a documented review. To improve the Facility's internal controls, we recommend an appropriate person review the bank reconciliations and journal entries and document their approval.

### **Account Reconciliations**

Many of the account balances on the balance sheet were not being reconciled on a regular basis. Specific accounts not being reconciled include accounts payable, accounts receivable, accrued payroll expenses, and prepaid expenses. To maintain accurate accounting records to enable informed decision making, it is important to reconcile accounts on a timely basis.

### **Accounts Receivable**

Also, related to accounts receivable, documentation is not being kept on collection efforts, discussions on collectability of accounts receivable, or analysis of the allowance for doubtful

accounts. We also noted the Facility does not have a formal process for analyzing and adjusting the allowance for doubtful accounts. As a result, an audit entry was proposed for approximately \$40,000 to adjust the allowance for doubtful accounts to an appropriate level. We recommend that management review the allowance periodically throughout the year, based on the historical trends of the Facility, and adjust accordingly. We also recommend documentation of collection efforts and timely, documented review of this process.

### **Management's Discussion and Analysis**

Governmental Accounting Standards Board requirements include the provision of a management's discussion and analysis with financial statements published for governmental units. The financial statements for The Maples, Benzie County Medical Care Facility do not include the required management's discussion and analysis.

We also noted the following deficiencies that constitute control deficiencies:

### **Segregation of Duties**

While testing accounts receivable, we noted the accounts receivable clerk has access to resident payments. The accounts receivable clerk should not have access to any cash receipts. We recommend the accounts receivable clerk receive a list of payments to post in the system while another individual, separate from billing, receive payments and make the deposit.

### **Credit Card Activities**

We understand the board reviews credit card activities on a monthly basis. While this is an excellent control, we also recommend the board substantiate their review process by including a copy of the credit card statement within the board packet or at least have someone indicate their review by adding his or her initials and date.

Other items for your consideration are as follows:

### **Accrued Paid Time Off (PTO)**

Medicaid requires accrued PTO to be used within one year of being earned. We recommend the Facility review its current PTO policies to assure the policies are consistent with Medicaid regulations. The policy should not allow greater than one year of PTO to be carried in the PTO bank at year end (or possibly at the anniversary date, if that is the measurement date).

To the Members of the Board  
The Maples,  
Benzie County Medical Care Facility

January 15, 2009  
Section II

### **Private-pay Rate**

Currently, the private-pay rate is well below the total Medicaid rate plus the quality assurance supplement (QAS) received by the Facility. While it is required for the private-pay rate to be greater than the Medicaid rate excluding the QAS, we recommend the Facility consider increasing the private-pay rate to also cover the QAS. The increase would be easily justified because the Facility is being required to pay the quality assurance tax on private-pay residents.

### **Recommended Best Practices**

We have identified several other controls, policies, and procedures we consider best practices the Facility should consider implementing. Please see Attachment A, a list of recommended items. The list includes controls we would typically expect to see in a similar environment, but it was either not one of the controls that you have established or our minimal sample test found it to be ineffective.